

## **For information**

### **Panel on Commerce and Industry**

#### **Trade relations between the Mainland and Hong Kong**

##### **Purpose**

This paper briefs Members on the latest developments of the trade relations between the Mainland and Hong Kong.

##### **Background**

2. Hong Kong maintains a very close economic and trade relationship with the Mainland. The Mainland is Hong Kong's largest trading partner. The value of merchandise trade between the two places was HK\$3,444.2 billion in 2011, accounting for 48.5% of the total trade value of Hong Kong during the same period. Hong Kong has been an important entrepot for the Mainland's merchandise. In 2011, the value of goods re-exported through Hong Kong to the Mainland was HK\$1,716.7 billion<sup>1</sup>, while the value of Mainland goods re-exported through Hong Kong to other parts of the world amounted to HK\$1,217 billion. On the other hand, Hong Kong ranks third among the trading partners of the Mainland, after the US and Japan. In terms of investment, Hong Kong is the Mainland's largest source of realised direct foreign investment, accounting for 45.1% of the national total as at the end of 2011, with a cumulative value of realised direct investment at HK\$4,090.4 billion. At the same time, the Mainland is Hong Kong's biggest external investor. As at the end of 2010<sup>2</sup>, inward direct investment from the Mainland amounted to HK\$3,127.3 billion, accounting for 36.9% of our total inward direct foreign investment. There were over 3 800 Mainland enterprises in Hong Kong engaging in a wide range of economic activities, including leasing and business service;

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1 Including goods originating from and re-exported back to the Mainland, and goods originated from other parts of the world and re-exported to the Mainland.

2 In December every year, the Census and Statistics Department will release the statistical data on inward direct investment of Hong Kong for the previous year. The figures in 2011 will only be released by end of 2012.

banking; and wholesale and retail trade etc<sup>3</sup>.

3. Promulgated in March 2011, the National 12<sup>th</sup> Five-Year Plan unprecedentedly included an individual chapter dedicated to Hong Kong and Macao. It elaborates on the Central Government's support for Hong Kong's future development in various aspects, including consolidating and upgrading Hong Kong's status as an international centre for financial services, trade and shipping; nurturing emerging industries and developing industries which Hong Kong enjoys clear advantages; deepening economic co-operation between the Mainland and Hong Kong through continuing the implementation of the "Mainland and Hong Kong Closer Economic Partnership Arrangement", confirming the significant functions and positioning of Hong Kong's co-operation with Guangdong under the Framework Agreement on Hong Kong/Guangdong Co-operation, including the building of an advanced global manufacturing and modern services base; and opening up of the Guangdong market under "early and pilot measures" to Hong Kong's service industries and the gradual extension of such measures to other regions.

4. Vice Premier of the State Council LI Keqiang visited Hong Kong in August 2011 and announced more than 30 concrete policies and measures of the Central Government made under the National 12<sup>th</sup> Five-Year Plan to support Hong Kong's further development and deepen co-operation between the Mainland and Hong Kong, covering areas such as trade and economy, finance, tourism, co-operation between Guangdong and Hong Kong, as well as social development and people's livelihood. The supporting policies and measures relevant to trade and economy include opening up further of trade in services to Hong Kong, establishing the objective of striving to basically achieve full liberalisation of trade in services to Hong Kong by the end of the 12<sup>th</sup> Five-Year Plan period, and supporting Hong Kong's active participation in multi-lateral and regional economic co-operation.

5. Hong Kong has been actively developing regional co-operation measures with provincial and municipal governments in the Mainland, with a view to further enhancing trade co-operation with the relevant areas. The ensuing paragraphs elaborate on the key areas of economic

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3 The sources of the trade and investment statistics and information of the Mainland and Hong Kong include the websites of / information from the Census and Statistics Department, the Economic Analysis Division of the Economic Analysis and Business Facilitation Unit under the Financial Secretary's Office; as well as the Ministry of Commerce and the General Administration of Customs of the Mainland.

and trade relations between the Mainland and Hong Kong, and the development of regional economic and trade co-operation.

### **Key Areas of Economic and Trade Relations between the Mainland and Hong Kong**

6. The economic and trade relations between the Mainland and Hong Kong cover a wide range of areas, including the Mainland and Hong Kong Closer Economic Partnership Arrangement (CEPA) and professional services; the restructuring and upgrading of Hong Kong enterprises in the Mainland; promotion of trade and investment; customs clearance of goods; innovation and technology, industry-academia-research and e-business; intellectual property rights; creative industries; and tourism, etc.

#### Mainland and Hong Kong Closer Economic Partnership Arrangement (CEPA)

7. CEPA was signed between the Mainland and Hong Kong in 2003. Since then, eight supplements to CEPA have been concluded. By now, there are more than 1 730 Hong Kong origin products that can enjoy zero tariff on importation to the Mainland. Including the measures in Supplement VIII which was signed in December 2011, a total of 301 measures have been announced in 47 service sectors under CEPA. Hong Kong service suppliers can now enjoy preferential treatment in 47 service sectors in the Mainland market, in the forms of relaxation in equity share restrictions, as well as relaxation in restrictions over geographical location and business scope, etc. We will continue to maintain close co-operation with the Mainland to strengthen the promotion and effective implementation of CEPA.

8. There are a number of early and pilot measures under CEPA for implementation in individual provinces and municipalities (including Guangdong, Beijing and Shanghai, etc.), encompassing various service sectors including construction, insurance and tourism. The HKSAR Government and the Mainland authorities at both central and provincial levels co-organise CEPA forums from time to time with a view to deepening the trade's understanding on CEPA and promoting the effective implementation of CEPA. In 2012, we jointly organised a CEPA business forum with the Ministry of Commerce and the Guangdong Province. During the "Hong Kong Week" held in Chongqing and Wuhan by our offices in the Mainland, we co-organized

CEPA seminars with the relevant Mainland authorities, and invited Mainland officials to introduce the implementation of CEPA in these places.

9. The HKSAR Government will, in response to the needs of the trade, further the liberalisation of trade in services and expand the scope of co-operation through CEPA, with a view to promoting integration and sustainable development of the two economies. We will also continue to maintain close liaison with the trade in order to understand their concerns, and actively follow up on problems encountered by the trade in using CEPA benefits.

#### Restructuring and upgrading of Hong Kong enterprises in the Mainland

10. Hong Kong enterprises have a lot of investments in the Mainland, especially in the Guangdong Province. These investments involve different businesses, and many of them are manufacturing operations in the processing trade. Under the National 12th Five-Year Plan, the Central Government will continue to encourage the upgrading and restructuring of enterprises and to expand domestic demand. During his visit to Hong Kong in August 2011, Vice Premier of the State Council LI Keqiang also emphasised that the Central Government would support and encourage the stable development and upgrading and restructuring of Hong Kong enterprises engaging in processing trade in the Mainland.

11. The HKSAR Government has been maintaining a close dialogue with the trade through the Task Force to Support the Processing Trade and other channels, so as to understand their concerns and views. To address the needs of the trade, we have been implementing various measures to assist the Hong Kong enterprises in upgrading and restructuring their operations and promoting domestic sales in the Mainland, so that they can capture the massive opportunities brought by the 12th National Five-Year Plan.

12. The HKSAR Government has also been maintaining close liaison with the relevant Mainland authorities at central, provincial and municipal levels. Through channels such as meetings of the Committee on Commerce and Trade with the Ministry of Commerce and meetings of the Hong Kong/Guangdong Expert Group on the Restructuring and Upgrading of the Processing Trade with the Department of Foreign Trade and Economic Co-operation of the Guangdong Province, we have conveyed to them the views of the trade and discussed with them measures to support the trade. In addition, the Trade and Industry

Department (TID) and our offices in the Mainland also disseminate information to Hong Kong enterprises through circulars and newsletters and organising activities such as symposiums and seminars to keep them abreast of various new policies and regulations and the latest business environment in the Mainland.

13. On the other hand, through organisations such as the Hong Kong Trade Development Council (HKTDC) and Hong Kong Productivity Council, we provide Hong Kong enterprises with support services on technological upgrading, management improvement, branding and market development, etc, and information on the Mainland market, as well as organise promotional activities, trade fairs and trade missions to the Mainland, with a view to enhancing the trade's understanding of the Mainland's policies and market development. In 2012-13, we have also made arrangements for our offices in the Mainland to collaborate with trade associations and other organisations to each organise a "Hong Kong Week" in a second-tier city under their respective coverage, in order to promote Hong Kong brands and products, and assist Hong Kong enterprises in building up their brand image and brand awareness in the Mainland market.

14. In terms of financial support to the trade, we will continue to assist small and medium enterprises (SMEs) in market promotion, acquisition of equipment, upgrading of operational and technical skills, and business restructuring or relocation through the existing funding schemes, including the various SME funding schemes administered by TID. To further assist Hong Kong enterprises in increasing their competitiveness in the Mainland market, we have obtained the funding approval of the Finance Committee of the Legislative Council in May 2012 to set up a five-year \$1 billion dedicated fund to assist Hong Kong enterprises in exploring and developing the Mainland market through developing brands, upgrading and restructuring operations and promoting domestic sales in the Mainland. The dedicated fund comprises two parts: to provide funding support to individual enterprises and to the non-profit-distributing organisations. The fund will be launched at end of this month.

#### Promotion of trade and investment

15. In 2012, InvestHK will continue to strengthen its investment promotion efforts in the Mainland and will cooperate with the Ministry of Commerce and the Commercial Office, Economic Affairs Department of the Liaison Office of the Central People's Government in the HKSAR in

organising more seminars in the high-growth cities in the Mainland. In the first quarter of this year, InvestHK has already organised investment promotion seminars in Chongqing, Wuhan and Pearl River Delta (PRD) cities. In the coming months, InvestHK will organise a series of investment promotion activities in Tangshan, Taiyuan, Hohhot, Xian, Nanchang and Hangzhou, highlighting Hong Kong as a platform for Mainland companies to go global and the advantages of setting up business in Hong Kong.

16. InvestHK will also work with other partners such as HKTDC in organising exhibitions in various forums to be held on the Mainland, including the China International Fair for Investment & Trade in Xiamen, the Pan-PRD Regional Cooperation & Development Forum & Trade Fair in Haikou as well as the China (Beijing) International Fair for Trade in Services in Beijing, so as to promote the business environment in Hong Kong as well as the services provided by InvestHK.

17. In particular for Guangdong Province, InvestHK has since 2002 been conducting joint investment promotion seminars in key overseas markets in collaboration with Guangdong province and its cities to promote the combined advantages offered by Hong Kong and the Mainland, in particular the Greater PRD. In 2012-13, InvestHK plans to organise joint overseas promotion seminars with the Guangdong Province and its cities. These include joint seminars in partnership with Zhuhai in Moscow, Shenzhen in Tel Aviv and Guangzhou in Bristol.

18. Furthermore, InvestHK will continue to provide networking opportunities to enhance collaboration between companies on the Mainland and in Hong Kong, so as to encourage more Mainland companies to leverage on Hong Kong's world class professional services and expertise to expand overseas.

#### Customs clearance of goods

19. The Customs and Excise Department (C&ED) has a reputation for efficient clearance. To promote Hong Kong's competitiveness in cargo flow, it has been pursuing various facilitation measures. Last year, the electronic Road Cargo System (ROCARS) became fully implemented in November to enable seamless clearance of road cargoes to and from

Guangdong<sup>4</sup>. For ROCARS users, C&ED also introduced the Intermodal Transshipment Facilitation Scheme (ITFS) whereby eligible cargoes with specified equipment<sup>5</sup> would only be subject to customs inspection (if selected) at the entry *or* exit points when they pass through Hong Kong. In 2012, C&ED and Guangdong authorities would explore the feasibility of linking the ITFS with similar arrangements among customs areas within Guangdong Province. In that way, goods shipping through Hong Kong can reach their destinations in the Province or ports in Hong Kong direct.

20. For other goods, the customs authorities of Hong Kong and Guangdong have all along been co-operating closely in facilitating their clearance. The two sides make reference to the inspection outcome of each other as appropriate. This reduces duplicated examination on the same shipment, and increases the speed of cargo flow. In 2011, this arrangement was expanded to cover 88 customs control premises<sup>6</sup> and all river ports in the Guangdong Province. The operational flow would continue to be reviewed in 2012 for possible improvements.

#### Innovation and technology, industry-academia-research and e-business

21. With regards to information technology, OGCIO co-operates with the Mainland in the three areas of “Mutual Recognition of Electronic Signature Certificates issued by Hong Kong and Guangdong” (“Mutual Recognition”), technology collaboration and technology exchanges.

22. On “Mutual Recognition”, pilot “Mutual Recognition” projects under CEPA and the Framework Agreement on Hong Kong/Guangdong Co-operation are now in progress. According to the organisations participating in the above projects, the preparation of customs declaration documents can be completed within one day instead of several days through the pilot projects, while the cost involved has been reduced from several hundred dollars to less than a hundred. As at March 2012, the total value of transactions under the pilot projects has accumulated to

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4 With the implementation of ROCARS, all immigration and goods clearance procedures can be completed at the inspection kiosks jointly operated by the Immigration Department and C&ED. Clearance is much more efficient and takes only 20 seconds. ROCARS also enables risk assessment for the goods in advance, strengthening C&ED’s enforcement capability.

5 The equipment includes global positioning system and electronic lock.

6 Customs control premises include ports, vehicle inspection yards, customs inspection yards in Free Trade Zones, river trade terminals, logistic centres, and express cargo supervision centres, etc.

more than \$7 billion. Making reference to the experience gained in the pilot projects, Hong Kong and the Mainland authorities are expected to announce the standing arrangements for Mutual Recognition between Hong Kong and Guangdong in mid 2012. This will facilitate cross-boundary commerce between the two places.

23. On technology collaboration, the Government encourages Hong Kong experts and industry members to collaborate closely with the Mainland and contribute to the development of cloud computing service specifications and standards when opportunity arises. In July 2011, representatives from the Hong Kong Cyberport Management Company Limited (Cyberport) and Hong Kong Applied Science and Technology Research Institute (ASTRI) joined the Technical Committee on Information Technology of Standardisation of Guangdong Province. In April 2012, OGCIO established the “Expert Group on Cloud Computing Services and Standards”, comprising the industry and the academia. In July 2012, we plan to jointly establish the “Hong Kong/Guangdong Expert Committee on Cloud Computing Services and Standards” with the Mainland, so as to collaborate with the Mainland on the development of cloud computing service specifications and standards. In addition, Cyberport is planning to join the Guangdong Cloud Computing Industry Alliance, which seeks to unite the industry, academia, research institutes and end-users for promoting exchanges among stakeholders in the cloud computing industry chain in the Guangdong Province, researches in core technologies, establishes industry standards, and provides industry application solutions and technology consulting services.

24. Regarding technology exchanges, the Government will collaborate with the Ministry of Industry and Information Technology (MIIT) and related organisations to organise expert forums. In March this year, OGCIO and Cyberport organised the Next Generation Information Technology and Standard Symposium in Cyberport. In May this year, OGCIO participated in the 16th International Soft China Expo held in Beijing by MIIT, at which a Hong Kong Pavilion had been set up and the China International Cloud Computing Services Innovation Forum had been organised.

25. In addition, Hong Kong will further strengthen collaboration with the Mainland in the area of science and technology to promote further integration of Hong Kong’s science and technology resources into the national innovation system. The Ministry of Science and Technology (MOST) has awarded the Hong Kong Science Park the status of National High-tech (Partner) Industrialisation Base for Green



Technology in November 2011. With regard to the setting up of a Hong Kong branch of the Chinese National Engineering and Research Centre, the Commerce and Economic Development Bureau has issued a letter to MOST to support the proposal of the Hong Kong Applied Science and Technology Research Institute partnering with the Southeast University in Nanjing. It is expected that the application could be approved by MOST soon. On Guangdong/Hong Kong collaboration, both sides will enhance technology and research cooperation under the “Guangdong/Hong Kong Technology Cooperation Funding Scheme”, with emphasis on strategic emerging industries under the National 12<sup>th</sup> Five-Year Plan. With regard to Shenzhen/Hong Kong collaboration, the 24 co-operation projects under the “Three-Year Action Plan” of the Shenzhen/Hong Kong Innovation Circle have been completed satisfactorily, for example, four Hong Kong universities have already established Industry-Academia-Research (IAR) Bases in Nanshan High-Tech Zone, Shenzhen. We encourage Hong Kong universities to make the best use of their IAR Bases to further enhance science and technology collaboration with the Mainland, including provision of support services like high value-added Research and Development (R&D) and commercialisation services for Shenzhen R&D institutes and companies. In the long run, through its edges on R&D talents, intellectual property protection system and international network, Hong Kong can be developed into a R&D and related services centre in the region to support industries in the Pearl River Delta to develop and commercialise their innovative ideas and technological achievements for the global market.

#### Intellectual property rights (IPR)

26. Intellectual Property Department signed the first “Agreement on Intellectual Property Co-operation” with the State Intellectual Property Office in November last year, and signed the “Agreement on Guangdong/Hong Kong Co-operation on Intellectual Property (IP) (2011-12)” with the Guangdong Intellectual Property Office in August last year. We will continue to carry out the co-operation items specified in the agreements this year. In addition, the Guangdong Province and Hong Kong will co-organise the “Guangdong/Hong Kong Seminar on Intellectual Property and Development of Small and Medium Enterprises” in Foshan in June this year. The Guangdong side will continue to launch the “No Fakes Pledge Scheme” in all cities in Guangdong Province. The Hong Kong side will continue to co-ordinate the participation of Hong Kong candidates in the National Qualification Examination for Patent Agents in Guangdong and promote the pre-examination preparatory courses organised by the Guangdong side.

Both sides will also continue to foster exchanges and co-operation among IP-related non-government organisations in both places.

27. Under the framework of the co-ordination mechanism for IP-related cases of the Guangdong/Hong Kong Expert Group on Protection of IPR, C&ED and the Guangdong enforcement agencies of IPR will continue to maintain close liaison to exchange information and provide mutual enforcement assistance to combat infringement activities.

28. Last year, the Customs administrations in Guangdong, Hong Kong and Macao conducted a series of joint operations against cross-boundary smuggling of infringing goods which were concluded successfully with effective results. In view of the emerging trend of online infringement activities, C&ED organised the Internet Crime Investigation Course in June last year for the Customs officers of Guangdong and Macao as well as the investigators of the Economic Crime Investigation Bureau of Guangdong Provincial Public Security Department. In July and November last year, C&ED, together with the Guangdong enforcement agencies of IPR and Macao Customs, organised IPR enforcement seminars for the stakeholders in Hong Kong to brief them on the protection of IPR in the three places. Besides, the Customs administrations in Guangdong and Hong Kong jointly organised with the Guangdong Copyright Bureau exchange programmes on copyright knowledge and protection for the youth in Hong Kong and Guangzhou by way of mutual visits. C&ED will continue to organise and support exchange activities in the region.

### Creative industries

29. CEPA has facilitated the access of Hong Kong's creative industries to the Mainland market. For example, motion pictures co-produced by Hong Kong and the Mainland are treated as Mainland motion pictures for the purpose of distribution on the Mainland. With the implementation of CEPA, the Hong Kong-Mainland co-productions have grown in number and scale of production. The number of co-productions produced each year has increased from about 10 titles before 2004 to about 30 titles in 2011. In 2011, six out of the top ten Chinese language movies on the Mainland were Hong Kong-Mainland co-productions. Hong Kong service suppliers are also allowed to operate cinema theatres on a wholly-owned or equity joint venture basis. These theatres have achieved remarkable results.

30. Create Hong Kong (CreateHK) as the dedicated agency to promote the development of creative industries has been committed to assisting local creative sectors in exploring the Mainland market, and provides funding support to various programmes, including exhibitions, seminars, investment fairs, business matching activities and other exchange programmes, with a view to promoting the creative industries of Hong Kong. For example, the well-received “Creativity in Business” programmes have over the past few years complemented the Mainland enterprises’ drive to upgrade and innovate by promoting Hong Kong’s design and branding services to Mainland enterprises. CreateHK will continue to work with the trade in organising programmes such as film festivals, business matching activities, etc., with a view to strengthening co-operation of creative industries between the Mainland and Hong Kong, promoting exchange and creating more business opportunities.

### Tourism

31. The Mainland is Hong Kong’s largest source market and a close partner in the tourism industry. To promote stable market development, the Tourism Commission maintains close communication and co-operation with the China National Tourism Administration (CNTA), and holds annual meetings with the latter to discuss matters relating to the strengthening of market regulation, as well as the implementation and expansion of CEPA liberalisation measures.

32. Hong Kong has all along maintained close liaison with the tourism authorities of various Mainland provinces and cities, including Beijing, Shanghai, Guangdong and Shenzhen. Hong Kong and the Mainland tourism authorities concerned have been working closely to promote “Individual Visit Scheme” and “Quality and Honest Hong Kong Tours”. Joint efforts have also been made to promote tourism products such as the “multi-destination” itineraries including Hong Kong.

33. On the expansion of CEPA liberalisation measures, Supplement VIII to CEPA signed in December last year has further relaxed the requirement to pre-register the outbound control point under the “144-hour Facilitation Visa” scheme, providing greater convenience with regard to immigration clearance for overseas visitors who travel to Guangdong via Hong Kong. We will discuss with the Mainland the possibility of relaxing further the scheme. In the long run, we hope that the scope of the one-year multiple-entry endorsement for residents with Shenzhen household registration to visit Hong Kong can, at an appropriate juncture, be extended gradually to other parts of the

Guangdong Province. In addition, we are actively seeking opening for Hong Kong travel agents to operate outbound tour business for residents in the Mainland. We will work together with the CNTA on a joint study and discuss with Guangdong the proposal to implement the measure in the Guangdong province on a pilot basis.

34. On tourism co-operation between Guangdong, Hong Kong and Macao, the relevant authorities are working together to draw up the “Guangdong-Hong Kong-Macao Regional Tourism Development Plan” with a view to strengthening the co-operation between the three places on the development of the regional tourism market, tourism product development, quality control, joint promotion, information exchange and entry convenience, etc.

### **Regional Economic and Trade Co-operation**

35. The HKSAR Government liaises closely with authorities in the Mainland on matters of mutual interest through co-operation forums established with various regions. We have been actively pursuing regional co-operation with Guangdong (including the two key co-operation areas Qianhai and Nansha), Shenzhen, Shanghai and Beijing. In the past year, the two sides convened the following conferences to exchange views on various co-operation areas, including the future directions of further economic and trade co-operation -

- The Chief Executive, Mr Donald Tsang, and the then Governor of Guangdong Province, Mr Huang Huahua, co-chaired the 14<sup>th</sup> Plenary of the Hong Kong/Guangdong Co-operation Joint Conference (HKGDCJC) in Hong Kong on 23 August 2011. At the meeting, the two sides reviewed the progress of Hong Kong/Guangdong co-operation over the past year and set the directions for co-operation in the coming year. The two sides considered the progress of implementation of the 2011 Work Plan of the Framework Agreement on Hong Kong/Guangdong Co-operation (Framework Agreement) satisfactory. Apart from promoting economic development, Hong Kong and Guangdong also achieved outcomes which were beneficial to and could be felt by the people of the two sides. The discussion focused on several important co-operation areas, including financial services, commerce and trade, travel facilitation, environmental protection, medical services, education and cultural exchanges. The two

sides signed five co-operation documents at the co-operation projects agreement signing ceremony held after the meeting. Details of the meeting are set out in the LegCo Paper No. CB(1)3102/10-11(01);

- The Chief Secretary for Administration, Mr. Stephen Lam, and the Mayor of the Shenzhen Municipal Government, Mr Xu Qin, co-chaired the 2011 Hong Kong/Shenzhen Co-operation Meeting on 25 November 2011 in Hong Kong. The two sides agreed that the two places would maintain close partnership and continue to deepen co-operation under the principles of “One Country, Two System” and “Complementarity”, for promoting economic development and upgrading the quality of life of the people of the two places. The two sides also agreed to play more active roles in enhancing the industrial structure of the PRD region. At the agreement signing ceremony held before the meeting, the two governments signed four agreements. Details of the meeting are set out in the LegCo Paper No. CB(1)512/11-12(01);
- The Chief Executive, Mr Donald Tsang, and the Mayor of Shanghai, Mr Han Zheng, co-chaired the Hong Kong/Shanghai Economic and Trade Co-operation Conference on 5 January 2012 in Shanghai. The Conference brought about consensus on 28 co-operation projects involving nine areas, namely commerce, trade and investment; financial services; civil aviation, maritime transport and logistics; tourism, convention and exhibition industries; innovation and technology; cultural and creative industries and sports; exchange of professionals; education, medical and health care; as well as youth development and social management. The two sides also signed four co-operation agreements at the Conference, including the Agreement on Strengthening Commerce and Trade Co-operation, the Agreement on Cultural Exchange and Co-operation, the Agreement for Civil Service Exchange, and the Agreement signed between the Hospital Authority and Shanghai Shenkang Hospital Development Centre. Details of the Conference are set out in the LegCo Paper No. CB(1)923/11-12(01); and
- The Chief Secretary for Administration, Mr. Stephen Lam,

and the Vice-Governor of Guangdong Province, Ms Zhao Yufang, co-chaired the 17<sup>th</sup> Working Meeting of the HKGDCJC on 9 January 2012 in Hong Kong. The meeting reviewed the progress of implementation of the 2011 Work Plan of the Framework Agreement and compiled the 2012 Work Plan. The two sides reviewed several important co-operation areas, including financial services, commerce and trade, legal and arbitration services, tourism, travel facilitation, environmental protection, medical services and education. The two sides signed the 2012 Work Plan of the Framework Agreement after the meeting. Details of the meeting are set out in the LegCo Paper No. CB(1)923/11-12(02).

### Development of Qianhai

36. On Qianhai, Vice Premier Li Keqiang announced during his visit to Hong Kong in August 2011 that the Central Government would vigorously develop the Qianhai Shenzhen-Hong Kong Modern Service Industry Co-operation Zone, and actively develop innovative finance, modern logistics, information services, science and technology services and other professional services, by formulating preferential policies in the areas of finance and taxation, land, labour protection and human resources, and supporting institutional and system innovations. Hong Kong and Guangdong will continue to seek the Central People's Government's early approval for policies and measures supporting the development and opening up of Qianhai so that Hong Kong enterprises, professional sectors and service providers can understand the business opportunities in Qianhai as soon as possible. The HKSAR Government will also continue to actively complement the Shenzhen authorities in the related publicity and promotional work.

### Development of Nansha

37. In respect of Nansha, the Hong Kong - Guangzhou Co-operation Working Group held its first meeting in December 2011 to exchange views on Nansha's development directions, with a view to promoting the upgrading and transformation of Hong Kong enterprises, developing a demonstration zone for implementation of CEPA and relevant early and pilot measures, and advancing co-operation in social services under the framework of Hong Kong/Guangdong co-operation. The HKSAR Government will maintain a close dialogue with the Guangzhou Municipal Government to provide views on the development

of Nansha.

## **Conclusion**

38. The HKSAR Government will continue to strengthen liaison with the Mainland to deepen the economic and trade co-operation between two sides, and make good use of the platform of the various co-operation meetings with a view to enhancing the overall competitiveness of the two places.

Commerce and Economic Development Bureau  
Constitutional and Mainland Affairs Bureau  
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